COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS RATES	**)))**	**CASE NO. 2018-00294**
ELECTRONIC APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS RATES	**))))**	**CASE NO. 2018-00295**

REBUTTAL TESTIMONY OF
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LOUISVILLE GAS AND ELECTRIC COMPANY

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(10) Value Provided by the Companies' Membership in EPRI and EEI

Q. What is EPRI?

A. EPRI, the Electric Power Research Institute, is a non-profit organization of electric utilities that addresses challenges related to electricity such as efficiency, safety, reliability, and environmental protection.

Q. What benefits do the Companies derive from membership in EPRI?

A. By paying dues for membership in EPRI ($3.5 million in 2019), the Companies directly benefit from access to $70 million of technical training and research, enabling staff to minimize operations and maintenance costs, reduce fuel consumption, improve accuracy of emissions monitoring, prevent equipment failures, decrease outages, and lower capital expenditures. Membership in EPRI gives the Companies access to EPRI training, technical manuals, and expert staff who are frequently called upon to respond to technical questions and requests for information. Participation in EPRI provides the Companies with the expertise necessary to keep aging coal-fired generating and transmission capacity in service and running efficiently as well as access to the development of emerging technologies.

Q. Do the Companies earn a rate of return on EPRI membership dues?

A. No.

Q. Does the Companies' membership in EPRI assist them in carrying out Commission guidance on research and development activities?

A. Yes, it does. As noted in the Companies' data requests responses, the Commission has encouraged regulated utilities to pursue research and development initiatives, whether individually or through contribution to and membership in larger organizations. Specifically, the Commission has held that "[r]educing R&D spending

would be short-sighted and not in the customers' long-term interest."[24] The Commission further noted that research and development "[b]enefits can be realized whether research is sponsored solely by one utility or through a larger organization funded by multiple utilities or stakeholders. The benefits of R&D may well help the Applicants in fulfilling their commitments to preserve LG&E's and KU's low rates and high quality service."[25] These are the exact type of benefits that the Companies realize through their membership in EPRI.

Q. How would customers be impacted if EPRI costs were excluded from revenue requirements?

A. Costs to ratepayers would assuredly increase. Some services provided by EPRI fulfill federal statutory requirements and would need to be acquired independently from third parties at a higher cost to ratepayers. For example, §316(b) of the Clean Water Act requires the Companies to conduct fish protection studies to ensure that certain cooling water intake structures do not cause adverse environmental impacts on fish populations. By partnering with six other electric utilities operating coal-fired generating capacity on the Ohio River as part of EPRI Program 54, *Fish Protection*, the Companies are able to spread out the cost of compliance, resulting in significant cost savings to customers. If the Companies were no-longer EPRI members, these federally-mandated studies would need to be performed by third parties and likely at higher costs. In some cases where EPRI is the single-source provider, the Companies might still need to acquire certain specific services from EPRI, but would do so

[24] *In the Matter of: Joint Application of Powergen PLC, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of a Merger*, Case No. 2000-00095, Order at 34-35 (May 15, 2000).
[25] *Id.*

without EPRI membership discounts resulting in higher costs to ratepayers for those services.

Q. Would the cost of service to customers be lowered if the Companies withdrew from EPRI?

A. No. Loss of EPRI technical research and training would likely result in increased operation and maintenance costs, increased fuel consumption, and increased equipment failures over time. Although no formal cost-benefit analyses have been prepared pertaining to the Companies' membership in EPRI during the past five years, the Companies do conduct annual evaluations of each EPRI program based on its potential to bring value to customers, and the sum of these value estimates exceeds $13 million annually. One of many examples is the Companies' participation in EPRI Program 75, *Integrated Environmental Controls,* which performed a cost comparison of Powder Activated Carbons (PACs). Using EPRI's equipment at Ghent Station, the Companies were able to test the various PACs without risking the unit's mercury emissions. Based on the results of these tests, the Companies saved an estimated $1.5 million in PAC costs in 2019 at Ghent alone. In this same program, by using EPRI's portable catalyst test facility, Trimble County Unit 1 was able to safely verify that the minimum operating temperature could be lowered, enhancing the potential dispatch of the unit with an estimated savings of $589,000 over a 30 year period.

Q. Do the Companies regularly evaluate and modify their participation in EPRI?

A. Yes. Since 2016, the Companies have voluntarily reduced participation in EPRI by 29% from $4.9 million to $3.5 million in 2019. The Companies withdrew from

certain programs that in the Companies' judgment were not generating sufficient value to ratepayers. However, as set forth above, the programs for which the Companies remain a participant provide immense value to ratepayers.

Q. Which EPRI programs do the Companies' dues currently fund?

A. The Companies are participating in the following EPRI Programs in 2019:

Program	Program Description	2019 Funding
203	Air Quality, Characterization, Assessment and Health	$638,354.44
75	Integrated Environmental Controls	$566,400.59
63	Boiler Life and Availability Improvement	$179,006.65
49	Coal Combustion Products - Environmental Issues	$175,078.11
185	Water Management Technology	$168,540.16
87	Materials and Repair	$161,170.70
69	Maintenance Management and Technology	$148,340.09
65	Steam Turbines - Generators and Auxiliary Systems	$142,150.06
54	Fish Protection	$136,061.93
183	Transmission Cyber Security	$129,396.61
94	Energy Storage and Distributed Generation	$127,343.74
196	Effluent Guidelines and Plant Wastewater Monitoring	$125,622.27
108	Operations Management and Technology	$119,618.36
77	Continuous Emissions Monitoring	$111,374.06
88	Combined Cycle HRSG and Balance of Plant	$111,245.75
64	Boiler and Turbine Steam and Cycle Chemistry	$107,652.97
194	Heat Rate Improvement	$90,380.27
200	Distribution Operations and Planning	$83,528.79
104	Balance of Plant Systems and Equipment	$54,847.00
18	Electric Transportation Technical R&D	$43,811.08
34	Transmission & Substations Asset Management Analytics	$41,828.29
37	Transmission Substation Protection and Control	$22,769.73

Each of these programs provides significant value to ratepayers and allows the Companies to reap returns on research far in excess of the Companies' dues contributions.

Q. What is EEI?

A. The Edison Electric Institute (EEI) is an association of investor-owned electric utilities in the United States. EEI provides numerous benefits to its members, including providing the opportunity for collaboration with other utilities on industry best practices, developing trends and technologies in the utility sector, resource sharing, and many other educational opportunities.

Q. What benefits do the Companies derive from membership in EEI?

A. As the Companies outlined in response to AG DR 2-65, EEI membership provides the Companies with valuable information and resources that benefit the Companies' operations and, as a result, benefit ratepayers. The Companies' participation in EEI's mutual assistance program is a concrete example. During times of severe disruption to the Companies' power delivery systems, due to weather or otherwise, the Companies can leverage their participation in EEI's mutual assistance program to bring much-needed resources to Kentucky to assist in restoration efforts. These resources come in the form of personnel, equipment, and other assistance provided by EEI mutual assistance members. Such support is invaluable in times of emergency recovery. The Companies also participate in a number of other programs, including the Spare Transformer Equipment Program (STEP) outlined in the Companies' responses to data requests, which enhance the Companies' ability to respond to threats and increase the overall reliability and resilience of the electric power system.

Q. Have the Companies excluded from the revenue requirement any portion of EEI dues?

A. Yes, the Companies have excluded from the revenue requirement and do not seek to recover in these cases any dues associated with influencing legislation, consistent

with the Commission's previous orders on this topic. Ms. Mullinax asserts that Commission precedent requires the Companies to exclude from the revenue requirement 45.35 percent of the dues paid to EEI. This is based on the Commission's orders from Case Nos. 2003-00433 and 2003-00434, respectively, in which the Commission stated that it "has reviewed the description of the various activities funded by the EEI dues, and finds that the portion of the dues associated with legislative advocacy, regulatory advocacy, and public relations should be excluded for rate-making purposes."[26]

As this language clearly indicates, the Commission excluded 45.35% of the Companies' EEI dues based on information reviewed at the time of the order indicating that this was the percentage of EEI dues devoted to advocacy and public relations. The Commission did not hold that 45.35% of the Companies EEI dues should be excluded for all time going forward, but rather that dues devoted to advocacy should be excluded, whatever percentage they may represent. Ms. Mullinax has made no showing whatsoever that the information upon which the Commission relied nearly fifteen years ago is still valid today.

Q. How have the Companies determined what portion of EEI dues to exclude from the revenue requirement?

A. KU proposes to exclude $70,071.48 in EEI dues from the forecasted test period, and LG&E proposes to exclude $52,553.68 in EEI dues for the same period.[27] These amounts are derived directly from EEI's invoices. Those invoices specifically set out

[26] *See, e.g. In the Matter of: An Adjustment of the Gas and Electric Rates, Terms, and Conditions of Louisville Gas and Electric Company*, Case No. 2003-00433, Order at 51 (Jun. 30, 2004).
[27] LG&E Response to AG DR 1-92(b); KU Response to AG DR 1-92(b).

the percentage of membership dues and the percentage of industry issues support related to influencing legislation.[28] Combined, those categories account for roughly 14 percent of the Companies' EEI membership dues, and that amount has properly been excluded from the revenue requirement.

Q. In light of your testimony, what your response to AG witness Mullinax's proposal to reduce the amount of EPRI and EEI membership dues included in the revenue requirement?

A. Ms. Mullinax's proposed adjustments should be rejected by the Commission. There is no objective basis for Ms. Mullinax's proposed adjustments to these dues. As demonstrated by my testimony and the Companies' responses to Data Requests, the membership in both EPRI and EEI provide immense benefits to the Companies and, by extension, their Kentucky ratepayers. These benefits far outweigh the dues paid to these organizations. The cost to replace necessary research services and statutory compliance provided to the Companies by EPRI would far exceed the current dues paid to the organization. Likewise, the EEI dues included in base rates go only to activities that support the Companies' operations and accrue to the benefit of all ratepayers.

<u>(11) Underground gas facility locates</u>

Q. Has LG&E struggled in recent years to maintain 48-hour compliance with underground gas facility locate requests?

A. Yes, as LG&E's response to the Commission's Fourth Set of Data Requests, No. 9 indicates, LG&E has at times not met the 48-hour response time for underground gas

[28] *See* EPRI Invoices, Attachment to LG&E Response to AG DR 1-98.

facility locate requests. The reasons for the resulting backlog are explained in detail in LG&E's response to Request No. 11 of the same set of data requests. Primarily, they relate to contractor resource adequacy available to address the high variability of locate request volume.

Q. Has LG&E addressed the backlog and is it currently providing timely responses to underground gas facility locate requests?

A. Yes, as of December 21, 2018, the late ticket backlog for underground facility requests had been entirely eliminated to due to significant expenditures for additional contractor resources. LG&E entered into agreements with two new contractors in December, and initial results with these contractors have been very good. LG&E's on-time completion rate improved to approximately 97 percent in January 2019. LG&E fully expects that positive trend to continue.

Q. Does this conclude your testimony?

A. Yes, it does.